

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEALS OF RIVER) APPEAL NOS. 07-A-2055,
MANAGEMENT, LLC from the decision of the) 07-A-2056 & 07-A-2057
Board of Equalization of Shoshone County for tax) FINAL DECISION
year 2007.) AND ORDER

COMMERCIAL PROPERTY APPEALS

THESE MATTERS came on for consolidated hearing September 26, 2007, in Wallace, Idaho, before Hearing Officer Steven Wallace. Board Members Lyle R. Cobbs, David E. Kinghorn and Linda S. Pike participated in this decision. Kenneth Smith represented Appellant at hearing. Assessor Jerry White and Deputy Assessor Greg Saylor appeared for Respondent Shoshone County. These appeals are taken from a decision of the Shoshone County Board of Equalization denying the protests of the valuation for taxing purposes of property described as Parcel Nos. RPD135000F002AA, RPD135000E004AA and RPD1550014009AA.

The issue on appeal is the market value of commercial property.

The decision of the Shoshone County Board of Equalization is affirmed.

FINDINGS OF FACT

This consolidated appeal concerns the market values of three nearby commercial properties used in connection with a car dealership. Each parcel is improved.

Parcel RPD135000F002AA

The assessed land value is \$204,225, and the improvements' valuation is \$1,668,266, totaling \$1,872,491. At hearing, Appellant provided a "corrected value" and requested the land value be reduced to \$107,593, and the improvements' value be reduced to \$1,310,384, totaling \$1,417,977.

This parcel contains the main dealership building built in 1925. There have been multiple remodels and additions completed over the years. Spaces include showroom and sales area, offices, parts area, and service and shop area. The respective areas total over 17,000 square

feet. A newer frame building was constructed in 2004. This building contains 6,358 square feet on the ground floor and 4,860 square feet of storage above. The lot is 33,106 square feet. The property is commonly referred to as 210 N. Division.

Appellant's value case is calculated from a land value rate (\$3.25/sq.ft.) derived from a January 2005, 9.03 acre sale, plus improvement costs less estimated depreciation of 20%. A large number of the improvement expenditures were not recent according to the accounting schedule provided. A number of important terms and conditions surrounding the 2005 land sale were not available. Appellant made no adjustments to the indicated price rate for known differences with this subject. Total sale price was not disclosed and no time-adjustment made for the older sale date. The 2005 land sale was reportedly later developed as a condominium project. Appellant contends the price paid was high, and that the land is superior to the subject property, and that size in the local marketplace makes little or no difference on a price per unit basis.

Respondent's valuation case for this parcel is summarized below.

Parcel RPD135000E004AA

The assessed land value is \$32,393, and the improvements' valuation is \$28,586, totaling \$60,979. Appellant requests the total value be reduced to \$17,130.

This parcel is improved with a movable 20 x 22 square foot, wood frame office. The lot is asphalt paved with 5,250 square feet. It is located across the street from the main dealership property. The parcel is commonly known as the Cameron Lot. Appellant plans to move the office building to Coeur d'Alene in the near future and attributed no value to the structure on appeal. No exemption was specified in connection with the "no" value claim.

Appellant valued the land for this parcel on the same basis and information discussed above.

Respondent's valuation case for this parcel is summarized below.

Parcel RPD1550014009AA

The assessed land value is \$56,753, and the improvements' valuation is \$28,930, totaling \$85,683. Appellant requests the land value be reduced to \$29,871, and the improvements' value be reduced to \$7,174, totaling \$37,045.

This parcel is improved with a 10 x 12 square foot wood frame sales office built in 1990. Asphalt paving covers the lot. The lot size is 9,200 square feet. This parcel or building is commonly referred to as the Alpine Building.

Appellant valued the land for this parcel on the same basis and information discussed above. To the land value was added the improvement costs less estimated depreciation of 20%. The improvement expenditures were not recent according to the accounting schedule provided.

Respondent's Valuation

Respondent reported the three subjects were last reappraised for the 2005 tax year. Subsequent trending of this base value occurred in 2006 and again for the current 2007 tax year toward maintaining assessed values at market value levels. On appeal, the assessor presented information on five (5) commercial, 2006 improved property sales. Information on two (2) local "land" sales was also provided. The sales were not compared or adjusted in a traditional sales comparison approach. However, some sales analysis was offered. The referenced trending for 2007 was determined from a sales ratio study pertaining to the same five improved commercial property sales.

On the 210 N. Division and Cameron Lot properties, the County also presented limited income approach analysis together with other appraisal-related information. The overall capitalization rates were 8%. No explanation or basis was provided for the capitalization rate and other factors in the model.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Property assessments are based on the status and market value of property on January 1 of each assessment year. Idaho Code §§ 63-205(1), 63-201(10), 63-208 *et seq.* The specific date of valuation pertaining to the market value issue in this appeal is January 1, 2007.

In an appeal taken to this Board, the burden of proof falls upon the Appellant “to establish that the valuation from which the appeal is taken is erroneous . . . [a] preponderance of the evidence shall suffice to sustain the burden of proof.” Idaho Code § 63-511(4).

The County presented a valuation of the subject properties that was demonstrated to incorporate recent local sales of commercial property. The Assessor’s income approaches to value were not particularly persuasive. On appeal, the assessments are considered under the law to be correct, i.e. they enjoy a presumption of correctness.

In considering Appellant's valuations, they were found wanting in regard to both the land and improvement components. The value estimates did not incorporate good and recent sale price evidence from the local marketplace. There was simply no legal basis why the office building on the Cameron Lot should not be assessed. All property is taxable unless expressly exempt. Idaho Code §§ 63-203, 63-601, 63-602. A market value of zero is likewise unjust given the nature of the property and planned future use. Some of the 210 N. Division improvements were recently expended suggesting historic cost may approximate current market value. However due to the mixed nature of the costs, many older in date and some more recent, and given a dearth of evidence to show that the across-the-board 20% depreciation would correlate

such mixed costs to current market prices, the modeling is not found to be particularly probative.

The County values derived from a physical reappraisal of subjects in 2005 that was updated with local sales information for the 2006 and 2007 tax years. Given the question of current market value on January 1, 2007, the assessments benefitted from incorporating the recent local sales through the mass appraisal mechanism of trending. The trend factors were applied broadly in Kellogg on a less than representative sales sample. However the assessments were demonstrated to be tied to or calibrated with the current marketplace. It is the County valuation model that most reflects recognized appraisal and assessment practices. The County value results are found to be more supported and better estimates of market value. Appellant did not meet the requisite burden of proof. Therefore the values determined by the Shoshone County Board of Equalization will be affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the values determined by the Shoshone County Board of Equalization concerning the subject parcels be, and the same hereby are, affirmed.

MAILED February 13, 2008